

OVERHEAD EXPENSE POLICY

NON-CANCELLABLE AND GUARANTEED RENEWABLE AT GUARANTEED PREMIUM RATES TO YOUR AGE 65 POLICY ANNIVERSARY. CONDITIONALLY RENEWABLE THEREAFTER ON ANNUAL BASIS FOR LIFE, SUBJECT TO CHANGE IN PREMIUM RATES SUBJECT TO THE APPROVAL OF THE COMMISSIONER OF INSURANCE. NONPARTICIPATING.

Coverage under this policy starts at 12:01 a.m. on the Policy Date and will stay in force until 12:00 a.m. on Your Age 65 Policy Anniversary, as long as premiums are paid when due. If the conditions are met in the Conditional Renewal section, this policy may be renewed on Your Age 65 Policy Anniversary and each year after that for life. While this policy is in force, We cannot:

1. Cancel it; or
2. Change the premium rate (before the Age 65 Policy Anniversary).

This policy is a legal contract between the Owner and Us. The policy is issued in consideration of the application and payment of premiums. We will pay this policy's benefits due to Disability or qualifying loss resulting from Injury or Sickness subject to the definitions, exclusions and other provisions of this policy. The Disability or qualified loss must begin while the policy is in force.

30 DAY EXAMINATION OFFER

It is important to Us that the Owner is satisfied with this policy and that it meets the Owner's insurance goals. If the Owner is not satisfied with this policy for any reason, the policy may be returned to either the producer or Our Home Office within thirty days after the Owner has received the policy. We will refund any premiums paid and the policy will be considered void from its inception. **PLEASE READ THE POLICY CAREFULLY.**

IMPORTANT NOTICE

Please review the copy of the application attached to this policy. The application is part of the policy. The policy was issued on the basis that the answers to all the questions and the information shown on the application are correct and complete. Material misstatements or omissions on the application could void the policy. If any information on the application is not correct or is omitted, please call or write Principal Life Insurance Company, Individual Disability Insurance, 711 High Street, Des Moines, Iowa 50392-0001, 1(800) 247-9988.

Joyce N. Hoffman

Vice President and Corporate Secretary

David J. Drury

Chairman and Chief Executive Officer



**Principal Life
Insurance Company**

711 High Street
Des Moines, Iowa 50392-0001

TABLE OF CONTENTS

<u>SUBJECT</u>	<u>PAGE</u>
POLICY DEFINITIONS	4
BENEFIT SECTION	8
CARRY FORWARD OF BENEFITS	8
CARRY FORWARD OF EXPENSES	8
OTHER BENEFITS	9
TRANSPLANT SURGERY BENEFIT	9
DEATH BENEFIT	9
LEGAL/ACCOUNTING FEE BENEFIT	9
PRESUMPTIVE DISABILITY BENEFIT	9
WAIVER OF PREMIUM BENEFIT	10
RECOVERY BENEFIT	10
EXCLUSIONS AND LIMITATIONS	11
EXCLUSIONS	11
LIMITATION DUE TO NORMAL PREGNANCY OR CHILDBIRTH	11
OTHER EXCLUSIONS AND LIMITATIONS	11
CLAIM INFORMATION	11
NOTICE OF CLAIM AND PROOF OF LOSS	11
INDEPENDENT MEDICAL EXAMINATION	13
CLAIMS WHILE OUTSIDE THE UNITED STATES	13
CONTINUING BENEFITS	13
PAYMENT OF A CLAIM	13
OVERPAYMENT OF BENEFITS	14
LEGAL ACTION	14
PREMIUMS AND REINSTATEMENT	14
PAYMENT OF PREMIUM	14
GRACE PERIOD	14
REFUND AFTER DEATH	14
TERMINATION	14
REINSTATEMENT	15
SUSPENSION DURING MILITARY SERVICE	15
CONDITIONAL RENEWAL	16
POLICY ADJUSTMENT OPTIONS	16
THE CONTRACT	16
ENTIRE CONTRACT	16
ALTERATIONS	17
TIME LIMIT ON CERTAIN DEFENSES	17
MISSTATEMENT OF AGE	17
CHANGE OF OWNER OR LOSS PAYEE	17
ASSIGNMENT	17
EXCHANGE PRIVILEGE	17

A copy of the application and any riders are attached to the back of this policy.



Principal Life
Insurance Company
Des Moines, Iowa 50392-0001

DATA PAGE

Overhead Expense Insurance

POLICY INFORMATION

Policy Number: Sample
Owner(s): Jane Doe
Insured's Name: John Doe
Insured's Age and Gender Class: 35 - Male
Policy Date: May 1, 2003

The Elimination Period is: 90 Days

The Maximum Monthly Benefit is: \$5,000

The Maximum Aggregate Benefit is: \$90,000

Also see the Exclusions and Limitations section of the policy.

RIDER INFORMATION

HH 738 Automatic Increase Option Rider

Effective Date: May 1, 2003

- Minimum Index Percent: 4% rounded up to the next \$25 increment
- Maximum Index Percent: 10%

PREMIUM INFORMATION**POLICY**

Overhead Expense: \$352.50

RIDERS

Automatic Increase Option: \$0.00

Total Annual Premium: \$352.50

PAYMENT OPTIONS	Premium	Annualized Premium	Administrative Charge Included*
Total Annual Premium:	\$352.50	\$352.50	\$0.00
Semi-Annual Premium:	\$180.66	\$361.32	\$8.82
Quarterly Premium:	\$92.53	\$370.12	\$17.62
PAW/EFT/Monthly Premium:	\$30.84	\$370.08	\$17.58

*For payment options other than Annual, this is the additional annual administrative charge included in the Premium amount.

Renewal of coverage as described in the Conditional Renewal section may require an increase in the renewal premium. Please refer to this section in the policy for details.

S
A
M
P
L
E

If you have any questions, call your agent. To file a claim, call our Home Office at 1-800-247-9988.

This Data Page Prepared On: May 1, 2003

POLICY DEFINITIONS

The following defined terms and phrases are capitalized throughout the policy. Please read them carefully as they will help You understand the policy provisions.

ADJUSTMENT DATE -- means the effective date of a change in coverage made to the policy. The most recent Adjustment Date, if any, is shown on the current Data Page.

AGE POLICY ANNIVERSARY -- means the Policy Anniversary on or next following Your birthday. For example, if the Policy Date is June 5, 2010, and You are 45 years old on April 3, 2030, the Age 45 Policy Anniversary is June 5, 2030.

BUSINESS -- means Your company(ies) or professional practice(s) You were actively Working in at the start of Your Disability.

CONTINUOUS DISABILITY -- means Your Disability that continues with no interruption. You will also be considered Continuously Disabled if an Interrupted Elimination Period or Recurring Disability occurs. It is also considered one Continuous Disability if You are Disabled from one condition and, while still Disabled from that condition, You incur another condition that causes Disability.

COVERED OVERHEAD EXPENSES -- means Your share, based on Your percentage of ownership or contractual agreement, of the usual and customary monthly Business expenses You are responsible for in the operation of the Business. These expenses must be incurred during Your Disability. Covered Overhead Expenses must be deductible for Federal Income Tax purposes and each expense cannot exceed what it was prior to Disability. Expenses paid other than monthly are considered on a pro rata basis as if paid monthly.

Covered Overhead Expenses include, but are not limited to:

1. Lease or principal and interest payments for space which You occupy and use in the operation of Your Business.
2. Premiums for malpractice, property or liability insurance.
3. Utilities and telephone.
4. Accounting, billing, legal and collection fees.
5. Janitorial, security and maintenance services.
6. Professional and trade dues and subscriptions.
7. Leasing costs or principal and interest payments on loans for furniture and equipment used in the operation of Your Business for which You were obligated to make payments prior to Disability.
8. Employee salaries and benefits which are not excluded by number 1 in the list below.
9. Miscellaneous office supplies and postage.
10. Real estate taxes.
11. Replacement Salary Expense.

The following are not considered Covered Overhead Expenses:

1. Salaries, wages, fees, drawing accounts, advances, bonuses, and other compensation, including benefits and pension and profit sharing contributions, for:
 - a) You,
 - b) Any other owner of the Business,
 - c) Any person sharing Business expenses with You,
 - d) Any person responsible for the generation of income in Your Business, and
 - e) Any person related to You by blood or marriage who was not a full time paid employee, working at least 30 hours per week, in Your Business for at least 60 days before Your Disability began.
2. Overhead expenses which are covered under another overhead expense policy.
3. The cost of medical/dental supplies, lab fees, x-ray fees and expenses passed on directly to a client.
4. The cost of goods, inventory, merchandise, products and services.
5. Depreciation, insurance premiums waived during Disability or any expense that does not require a cash payment.
6. Any ongoing expenses after the sale of Your Business, excluding lease agreements or mortgage payments, that are not terminated with the sale of the Business.
7. Any expense You were not liable for in the normal course of Your Business prior to a Disability.

DISABILITY/DISABLED -- means, when used alone, Total Disability. If the Residual Disability Benefit Rider is attached to Your policy, Disability also means Residual Disability. If a Disability is caused by more than one Injury or Sickness, We will pay benefits as if the Disability was caused by only one Injury or Sickness.

DOCTOR -- means a Medical Doctor (MD), Doctor of Osteopathy (DO) or Doctor of Chiropractic (DC) who is licensed by law, and is acting within the scope of their license, to treat an Injury or Sickness. If the Disability is due to a disease or disorder classified in the most current Diagnostic and Statistical Manual of Mental/Nervous Disorders (DSM) published by the American Psychiatric Association or its successor, the person must be a board-certified psychiatrist or a licensed doctoral level psychologist. The person cannot be You, any person related to You by blood or marriage, the Owner, the Loss Payee, a business or professional partner or associate, or any person who has a financial affiliation or business interest with You or Your spouse.

ELIMINATION PERIOD -- means the number of days of Disability from the start of a Continuous Disability for which no benefits will be paid. The current Data Page show the Elimination Period for the Maximum Monthly Benefit.

FULL TIME WORK -- means at least the same average number of hours per week as You Worked during the 12 month period prior to Disability.

HOME OFFICE -- means Principal Life Insurance Company, 711 High Street, Des Moines, Iowa 50392-0001.

INJURY -- means accidental bodily injury which occurs while this policy is in force.

INTERRUPTED ELIMINATION PERIOD -- means if Your Disability is not continuous the Elimination Period will be met if the required number of days of Disability occur in a period that is:

1. Twice as long as the Elimination Period; and
2. Less than one year.

Disability may be from the same or a different cause. The periods of Disability will be combined to meet the Elimination Period.

LOSS OF NET INCOME -- means the amount by which Monthly Gross Income is less than Covered Overhead Expenses. This amount must be at least \$200.

LOSS PAYEE -- means the person or entity named as the Loss Payee in the application or a later written request for change of Loss Payee which is approved by Us. The term includes any lawful successors of the Loss Payee. Unless otherwise stated in this policy or attached riders, benefits will be paid to the Loss Payee. If no Loss Payee is named in the application or other written request, then the Owner is the Loss Payee.

MAXIMUM AGGREGATE BENEFIT -- means the amount shown on the current Data Page. After satisfaction of the Elimination Period, it is the maximum amount payable for any one Continuous Disability. However, in no event, will benefits be paid for more than three months beyond Your Age 65 Policy Anniversary except as described in the Conditional Renewal section.

MONTHLY GROSS INCOME -- means the monthly gross receipts and other income generated during Your Disability, less the cost of goods, inventory, merchandise, products or services. At the time a claim begins, We will allow You to choose either the cash or accrual accounting method to determine Monthly Gross Income during Disability. In either case, gross receipts or other income received during Disability for Work performed prior to the start of Disability will not be included as Monthly Gross Income during Disability.

Only that portion of Monthly Gross Income generated by You, Your replacement, or income generated by others under Your supervision, management, or direction will be considered in determining Monthly Gross Income.

OWNER -- means the person or entity named as the Owner in the application or a later written request for change of Owner which is approved by Us. The Owner may exercise every right and privilege provided by this policy, except that benefits will be paid as stated in the Payment Of A Claim provision. If You are not the Owner and the Owner dies before You, You become the Owner unless the Owner has provided for a successor owner.

POLICY ANNIVERSARY -- is computed from the Policy Date. For example, if the Policy Date is June 5, 2010, the Policy Anniversary is June 5 of every year thereafter.

POLICY DATE -- means the date coverage under this policy begins. This date is shown on the Data Page.

RECURRING DISABILITY -- means a continuation of a prior Disability when:

1. The Disability results from the same or directly related cause as the prior Disability for which We paid benefits or provided the Waiver of Premium Benefit; unless
2. After the prior Disability ends You return to Work at least 40 hours per week in any occupation for at least 6 consecutive months.

No new Elimination Period is required. We will pay benefits during the Recurring Disability for the remainder of the Maximum Aggregate Benefit, if any.

REGULAR CARE BY A DOCTOR -- means:

1. You are evaluated in person by a Doctor; and
2. You receive treatment appropriate for the condition causing Your Disability; and
3. Your evaluations and treatment are provided by a Doctor whose specialty is appropriate for the condition causing Your Disability; and
4. The evaluations and treatment must be at a frequency intended to return You to Full Time Work; and
5. You must pursue reasonable treatment options or recommendations to achieve maximum medical improvement.

We may require You to have Your Doctor provide Us with a written evaluation and treatment plan for the condition causing Your Disability, which meets generally accepted medical standards and is satisfactory to Us.

We may waive, in writing to You, the Regular Care By A Doctor requirement if it is determined by Us that continued care would be of no benefit to You.

REPLACEMENT -- means any person hired, after Your Disability begins, from outside Your Business to perform any of the substantial and material duties of Your Occupation. Replacement does not include any person related to You by blood or marriage.

REPLACEMENT SALARY EXPENSE -- means the net expense You incur to employ a Replacement. The net expense is Your Replacement's compensation minus the Monthly Gross Income of Your Replacement. The compensation paid to Your Replacement must be reasonable compensation in relation to the duties performed.

SICKNESS -- means an illness or disease which first manifests itself on or after the Policy Date and while this policy is in force. Complications of pregnancy and complications of childbirth are covered Sicknesses.

TOTAL DISABILITY -- means solely due to Injury or Sickness:

1. You are unable to perform the substantial and material duties of Your Occupation; and
2. You are not Working; and
3. You satisfy the requirements of the Claim Information section.

In order to be eligible for Total Disability, there must also be no reasonable job or work site modifications which would allow You to Work.

WE, OUR, US -- means Principal Life Insurance Company.

WORK/WORKING -- means You perform a labor or service, including but not limited to supervision, management or direction for any business activity, for which You receive Monthly Gross Income.

YOU, YOUR -- means the person named as the Insured on the current Data Page of this policy.

YOUR OCCUPATION -- means the profession(s) or occupation(s); not a specific job(s) or a job with a certain employer(s), You were actively Working in at the start of Your Disability. If You are Working in more than one occupation, Your Occupation includes all occupations You were actively Working in at the start of Disability.

BENEFIT SECTION

We will pay benefits for Your Continuous Disability that begins on or after the Policy Date and while this policy is in force and subject to the policy provisions. Benefits start to accrue at the end of Your Elimination Period. Benefits will continue during Your Continuous Disability but We will not pay more than the Maximum Aggregate Benefit.

For Total Disability, We will pay an amount equal to the Covered Overhead Expenses You incur each month up to the Maximum Monthly Benefit shown on the current Data Page but not to exceed the Maximum Aggregate Benefit.

CARRY FORWARD OF BENEFITS

Your Covered Overhead Expenses in any one month of Disability may be less than the Maximum Monthly Benefit. If so, any unused benefit will be carried forward and applied to Your Covered Overhead Expenses in a later month for the same Continuous Disability when Your Covered Overhead Expenses exceed the Maximum Monthly Benefit.

CARRY FORWARD OF EXPENSES

Your Covered Overhead Expenses in any one month of Disability may be greater than the Maximum Monthly Benefit. If so, any excess Covered Overhead Expenses will be carried forward and reimbursed in a later month of the same Continuous Disability when Your Covered Overhead Expenses are less than the Maximum Monthly Benefit.

OTHER BENEFITS

This section describes additional benefits provided by Your policy subject to the requirements specified in each of the following benefit provisions. In addition, You must satisfy the requirements of the Claim Information section to be eligible for these benefits.

TRANSPLANT SURGERY BENEFIT

We will pay benefits under the Benefit Section if Your Disability results from surgery involving a transplant of a part of Your body to another person.

DEATH BENEFIT

If You die after satisfying the Elimination Period and while benefits are being paid under the Benefit Section, We will pay benefits during the three month period immediately following Your death for Your portion of any Covered Overhead Expenses. Benefits will be paid as if You were Disabled, subject to the Maximum Aggregate Benefit. These benefits are payable to the Loss Payee. If You are the Loss Payee at the time of Your death, these benefits will be paid to Your surviving spouse, if any, otherwise to Your estate. No benefits will be paid under this provision for expenses incurred after Your Business is sold or closed.

LEGAL/ACCOUNTING FEE BENEFIT

We will reimburse the Loss Payee for legal and accounting fees, up to a maximum of \$3,000, if such fees are incurred in association with the termination of Your Business as a result of Your Disability. This benefit is an additional benefit and will not be included as part of the Maximum Monthly Benefit or Maximum Aggregate Benefit.

PRESUMPTIVE DISABILITY BENEFIT

Presumptive Disability is an Injury or Sickness resulting in total loss of use for any and every purpose or activity without any possibility of recovery of:

1. Power of speech; or
2. Hearing in both ears; or
3. Sight of both eyes; or
4. The use of both hands, both feet, or one hand and one foot.

We will consider You Disabled and pay benefits for Total Disability under the Benefit Section, regardless of Your ability to Work or earn an income if You incur a Presumptive Disability. You will be considered Disabled as long as Your Presumptive Disability continues.

The Presumptive Disability must occur while this policy is in force. Once We begin paying benefits under this provision Regular Care By A Doctor requirement is waived. Benefits will start to accrue when this Presumptive Disability occurs, even if the Elimination Period has not been satisfied. Monthly benefits will be paid as long as the Presumptive Disability continues, subject to the policy's Maximum Aggregate Benefit.

WAIVER OF PREMIUM BENEFIT

In a period of Continuous Disability, if You are Disabled for the lesser of 90 days or the Elimination Period and You satisfy the requirements of the Claim Information section:

1. We will refund the monthly pro rata portion of any premium paid for coverage after the date a Continuous Disability began; and
2. We will waive the payment of premiums which come due during the Continuous Disability.

Premium payments will begin on the next premium due date after You are no longer receiving benefits under this policy or Your Disability ends, whichever is later. We will not waive premiums beyond Your Age 65 Policy Anniversary, unless Your policy is renewed subject to the Conditional Renewal section and You later become eligible for the Waiver of Premium Benefit.

RECOVERY BENEFIT

We will provide a benefit if:

1. You are no longer Disabled; and
2. You are not receiving benefits under the Benefit Section; and
3. You return to Full Time Work in Your Occupation immediately after a Continuous Disability for which benefits were payable under the Benefit Section; and
4. You have a Loss Of Net Income; and
5. Your Loss Of Net Income is solely due to the prior Injury or Sickness that caused Disability; and
6. You satisfy the requirements of the Claim Information section.

The amount of benefit payable will be 50% of the Maximum Monthly Benefit for a maximum three month period, but not to exceed the Maximum Aggregate Benefit or Your Age 65 Policy Anniversary. No benefits will be paid under this provision while benefits are being paid under the Benefit Section or any of the other provisions of this section, except We will provide the Waiver of Premium Benefit.

In determining eligibility to a benefit under this provision, Covered Overhead Expenses will include the following:

1. Salaries, wages, fees, drawing accounts, advances, bonuses, and other compensation, including benefits and pension and profit sharing contributions, for any person under Your supervision, management or direction who is responsible for the generation of income in Your Business.
2. The cost of medical/dental supplies, lab fees, x-ray fees and expenses passed on directly to a client.

EXCLUSIONS AND LIMITATIONS

The following exclusions and limitations apply to this policy.

EXCLUSIONS

This policy does not pay benefits for an Injury or Sickness which in whole or in part is caused by, contributed to by, or which results from:

1. Intentional, self-inflicted injury; or
2. Your commission of or Your attempt to commit a criminal act, or Your involvement in an illegal occupation or activity; or
3. The suspension, revocation or surrender of Your professional or occupational license or certification; or
4. Active military service during a military action or conflict.

No benefits are payable for any period of Disability in which You are incarcerated in a penal or correctional institution for a period of 30 consecutive days or longer.

LIMITATION DUE TO NORMAL PREGNANCY OR CHILDBIRTH

If the Elimination Period for Your Maximum Monthly Benefit is less than 90 days, then normal pregnancy and normal childbirth are not covered Sicknesses. However, if the Elimination Period is equal to or greater than 90 days, then normal pregnancy and normal childbirth are covered Sicknesses subject to the definition of Disability.

OTHER EXCLUSIONS AND LIMITATIONS

There may be other exclusions or limitations on this policy in addition to those stated in this section. Additional exclusions or limitations, if any, are described in riders or endorsements attached to and a part of this policy.

CLAIM INFORMATION

NOTICE OF CLAIM AND PROOF OF LOSS

You (or someone acting as Your legal representative) must fulfill all of the following requirements:

1. Give Us written notice of claim, including Your name and policy number, within 30 days of the date Your Disability began.

Failure to provide timely notice of a claim will limit past benefit payments under all policy provisions. If You qualify for benefits under the terms of the policy, past benefits will only be payable for a period of six months prior to the date We received the notice of claim in the Home Office.

2. Send any proof of loss requested by Us to Our Home Office within 90 days after the end of each monthly period for which You are claiming Disability.

If You have not submitted proof of loss acceptable to Us within one year from the date required, benefits will be denied. An exception will be made only if You and the Owner were not mentally competent to make a claim.

3. Provide proof of loss requirements at a reasonable frequency required by Us.
4. Fully cooperate with Us concerning all matters relating to this policy and any claims filed under the policy.

We will:

1. Send a claim form upon Our receipt of notice of claim. If We do not furnish the claim form within 15 days after notice of claim was sent to Us, You or the Owner should send Us a letter describing in detail the date of disability, the cause and extent.
2. Promptly notify You (and the Owner if You are not the Owner) if any additional proof of loss requirements are necessary before a claim determination can be made.
3. Pay the benefit as outlined by the policy provisions, subject to the proof of loss requirements.
4. Promptly notify You (and the Owner if You are not the Owner) if benefits are not payable and why.

We must be provided with satisfactory written proof of loss. This is information that We deem necessary to determine whether benefits are payable and the amount of benefits payable. If the proof of loss requirements We request are not received, the claim will be denied. Proof of loss requirements include, but are not limited to:

1. Any requested claim form including claim forms from You and Your Doctor(s) or the letter described above;
2. Documentation demonstrating You are under Regular Care By A Doctor;
3. Documentation of objective medical evidence of Your Injury or Sickness;
4. Copies of medical records, test results and/or Doctor's progress notes;
5. Financial documents, which may include copies of Federal Income Tax Returns, Certified Public Accountant's statements, billing/expense information, bank statements, cancelled checks, IRS authorization, or other documents We deem necessary;
6. Examination(s) of financial records performed by Us or an independent financial examiner hired by Us;
7. Employer/employment information;
8. Independent Medical Examination(s). (See Independent Medical Examination provision below);
9. A personal interview with a company representative, which may include a statement under oath;
10. Evidence that reasonable job or work site modifications are not feasible; and
11. Other proof of loss requirements We deem necessary.

Any costs involved in submission of proof of loss requirements are Your responsibility to pay, except for costs incurred by Us in numbers 4, 6 and 8 above.

INDEPENDENT MEDICAL EXAMINATION

We have the right to require medical examinations, functional capacity evaluations and/or psychiatric examinations in the evaluation of what benefits, if any, are payable. The examinations may include x-rays, blood and urine tests, psychological tests, and other tests or procedures that We deem reasonable to evaluate whether You continue to meet the definition of Disability. The examinations will be performed by a doctor or specialist We deem appropriate for the condition and will be conducted at the time, place and frequency We reasonably require, while You claim to be Disabled. We reserve the right to choose the examiners. The examinations will be paid for by Us. Benefits will be denied if You fail to have an examination and any charges incurred for not attending an appointment, as scheduled, will be Your responsibility.

CLAIMS WHILE OUTSIDE THE UNITED STATES

If You are residing or staying outside the United States during any period for which You are claiming Disability, the following additional requirements are applicable:

1. Any evidence You submit for Your claim will be required to be translated by the U.S. Embassy and contain the U.S. Embassy seal.
2. You may be required to return to the United States at a frequency We deem necessary to substantiate Your claim for Disability. All expenses incurred by You for returning to the United States will be Your responsibility.
3. You must notify Us in advance of any return to the United States and Your change of address.

CONTINUING BENEFITS

Continuing benefits are subject to the proof of loss requirements. If continuing proof of loss requirements are not received, further benefits will be denied.

PAYMENT OF A CLAIM

If it is determined that benefits are payable, We will:

1. Pay the first month's benefit one month from the date the Elimination Period is satisfied;
2. Pay one-thirtieth of the appropriate monthly benefit for each day of any period of less than a full month for which benefits are payable;
3. Pay continuing monthly benefits at the end of each month of Disability (subject to the proof of loss requirements);
4. Pay any unpaid benefits due when Your Disability ends;
5. Pay benefits, including any refund of premiums, to the Loss Payee unless otherwise indicated in the policy or any attached riders; and

6. If, during a Disability, You are determined to be incompetent, We may pay up to \$1,000.00 in any due and unpaid benefits or premium refund to any relative by blood or connection by marriage We believe is entitled to it. If We pay this amount in good faith, We will not be liable to anyone else for the amount We paid. In order to continue benefits beyond \$1,000.00, We will require proof of a durable power of attorney or the appointment of a conservator.

Upon Your death, if there are additional benefits payable, other than the Death Benefit, beyond the \$1,000.00, We will pay these additional benefits to Your estate.

OVERPAYMENT OF BENEFITS

If an overpayment of benefits should occur, We have the right to either recoup the overpayment from future claim benefits or require reimbursement within 60 days from You.

LEGAL ACTION

Legal action may not be started against Us to recover on this policy until 60 days after filing of proof of loss and not more than 3 years after the filing of proof of loss as required under this policy.

PREMIUMS AND REINSTATEMENT

PAYMENT OF PREMIUM

The first premium of Your policy is due on the Policy Date. After that, premiums are payable in the amount and frequency chosen from those shown on the current Data Page. The Owner may change the frequency of premium payments except that We will not allow a change while You are Disabled. All premiums are to be sent as provided in the premium notices.

GRACE PERIOD

Except for the first premium, We allow a grace period of 31 days after the premium due date to pay the premium due. The policy will stay in force during the grace period. Benefits for a Disability or Continuous Disability beginning in the grace period will be payable only if the due premium is received before the grace period expires subject to all other terms and conditions of the policy.

If a premium is not paid by the end of the grace period, it is in default and the policy will terminate effective the premium due date.

REFUND AFTER DEATH

We will refund any full month's premium paid for coverage beyond the date of Your death. We must be given written proof, satisfactory to Us, of Your death. We will refund any premium to the Loss Payee, or if none, to the Owner if the Owner is not You. Otherwise the premium will be refunded to Your spouse or to Your estate if You have no spouse.

TERMINATION

This policy terminates on the first of:

1. Your Age 65 Policy Anniversary, unless renewed under the Conditional Renewal section. If You are Disabled on this date, then the policy terminates at the earlier of the end of Your Disability or when the Maximum Aggregate Benefit has been paid; or

2. The date of the Owner's written request to terminate it; or
3. The premium due date if the premium is not received before the grace period expires; or
4. Your death.

REINSTATEMENT

With Our approval, this policy may be reinstated anytime within one year after termination. Payment of past due premiums is required. We may also require an application and evidence of insurability under Our then current underwriting guidelines.

When We require an application for reinstatement, reinstatement takes effect on the date We approve the application. If We do not decline reinstatement in writing within 45 days from the date of the application, the policy will be reinstated on the 45th day after the date of the application.

When no application for reinstatement is required by Us, reinstatement takes effect on the date We receive past due premiums in Our Home Office.

A reinstated policy only covers a Disability from:

1. A Sickness which first manifests itself more than 10 days after the date reinstatement takes effect; or
2. An Injury which occurs after the date reinstatement takes effect.

A reinstated policy is subject to any provisions or changes attached to the reinstated policy.

SUSPENSION DURING MILITARY SERVICE

This policy will be suspended while You are on full-time active duty in the military service of any nation or international authority. Suspension will be effective as of the date active duty starts. Active duty does not include training by reservists that lasts 90 days or less. Disabilities that occur as of the date Your full-time active duty begins until Your active duty ends and the policy is restored are not covered. We will refund the pro rata portion of any premium paid for a period beyond the date of suspension. The suspended policy may be restored without proof of insurability if:

1. The active duty ends within 5 years from the date of suspension; and
2. The Owner applies in writing and premiums are paid within 180 days following the date active duty ends.

Your coverage will start again as of the date We receive the written request and premiums to restore the policy, but not before the date active duty ends. Only a Disability from a Sickness which first manifests itself or an Injury which occurs after the policy is restored is covered. Once restored, all rights under the policy will be the same as before the policy was suspended. Premiums will be at the same rate as they would have been had the policy remained in force.

CONDITIONAL RENEWAL

This policy is conditionally renewable on an annual basis from the Age 65 Policy Anniversary for life, subject to change in premium rates subject to the approval of the Commissioner of Insurance, if the terms and conditions of this section are met. If the policy is not renewed in accordance with this section, it terminates on the Policy Anniversary following Your 65th birthday.

To renew the policy, all of the following conditions must be satisfied:

1. You must have been actively Working an average of 30 hours a week for the year preceding renewal; and
2. You are Working at least 30 hours a week at the time of renewal; and
3. The policy is in force with no premium in default; and
4. You pay the renewal policy premium which will be based on those rates in effect for Your age at the time of renewal.

We reserve the right to require proof from time to time that You continue to Work at least 30 hours a week. If at anytime You are Working less than 30 hours a week, this policy will terminate as of the date You no longer Worked at least 30 hours a week. We will return to You the unearned premiums paid for any period not covered by this policy.

If the policy is renewed under this section, the benefits are the same, and subject to the same terms, as those in the policy, except that all riders containing a Termination provision are not renewable under this section. Any other riders, including exclusion or modified coverage riders, will be renewed and remain a part of the policy.

POLICY ADJUSTMENT OPTIONS

Subject to Our then current underwriting guidelines which may include requiring evidence of insurability, the Owner may request policy adjustments while the policy is in force with no premiums in default, and You are not Disabled. To request an adjustment, an application signed by the Owner is required. The application must also be signed by You if You are not the Owner and if evidence of insurability is required. An adjustment is effective on the Adjustment Date, subject to Our prior approval and payment of the required premium.

The adjusted benefits apply to a Disability from a Sickness which first manifests itself or an Injury which occurs on or after the Adjustment Date and while this policy is in force.

Any adjustment will change the information on the current Data Page. We will provide new Data Pages.

THE CONTRACT

ENTIRE CONTRACT

The policy, the attached applications, and any attached riders or endorsements make up the entire contract.

ALTERATIONS

Only Our corporate officers may modify or waive anything in, or approve changes to, the policy. The change must be attached to the policy. No one else, including the agent or broker, has the authority to change the policy or waive any provision.

TIME LIMIT ON CERTAIN DEFENSES

In issuing the coverage(s) under the policy, We have relied on the statements and representations on the application. We have the right to void the coverage(s) due to a material misstatement or omission in the application. However, after two years from the effective date of coverage(s), no material misstatements or omissions, except fraudulent statements or omissions, made by You or the Owner in an application will be used to void the coverage.

Applications include, but are not limited to, the initial application(s), applications for reinstatement, benefit update, automatic benefit increase and any underwritten adjustment.

No claim for Disability starting after two years from the date coverage has been in effect will be reduced or denied because a Sickness or Injury existed before the effective date of coverage unless the condition is excluded by name or description. Sickness or Injury fully disclosed on the application(s) will be covered, unless excluded by name or description.

MISSTATEMENT OF AGE

If Your age has been misstated, the coverage of this policy will be what the premium paid would have purchase at Your correct age.

CHANGE OF OWNER OR LOSS PAYEE

The Owner may name a new Owner or Loss Payee by a request in writing. Our approval is required. The change is not effective until We approve it. Once approved, the change is effective on the date the request was signed by the Owner.

ASSIGNMENT

We are not bound by an assignment until received in a written form acceptable to Us at Our Home Office. We assume no responsibility for any assignment's validity. An assignment does not change the ownership of this policy.

EXCHANGE PRIVILEGE

On or before Your Age 60 Policy Anniversary, You may exchange this policy for an individual disability income policy that We have available based on Our then current underwriting guidelines without medical evidence of insurability, if:

1. You are not Disabled; and
2. This policy is in force; and
3. No premiums are in default; and
4. You complete an application.

The new policy will be effective on the date the application is approved and the first premium payment is received. The premium will be based on Our then current rates, Your attained age and occupation. The new policy will contain any exclusions, ratings, and limitations contained in this policy.

The new policy's Maximum Benefit Period will not be more than 2 years and the Elimination Period will be 90 days or greater. Its Maximum Monthly Benefit will be the lesser of \$2,500 or the maximum amount We are willing to offer under Our then current underwriting guidelines. No benefit riders will be issued through an exchange but may be applied for as an adjustment as explained in the Policy Adjustment Options section of the new policy.

S
A
M
P
L
E

S
A
M
P
L
E

S
A
M
P
L
E

S
A
M
P
L
E

S
A
M
P
L
E

S
A
M
P
L
E

S
A
M
P
L
E

S
A
M
P
L
E

OVERHEAD EXPENSE POLICY. NON-CANCELLABLE AND GUARANTEED RENEWABLE AT GUARANTEED PREMIUM RATES TO YOUR AGE 65 POLICY ANNIVERSARY. CONDITIONALLY RENEWABLE THEREAFTER ON ANNUAL BASIS FOR LIFE, SUBJECT TO CHANGE IN PREMIUM RATES SUBJECT TO THE APPROVAL OF THE COMMISSIONER OF INSURANCE. NONPARTICIPATING.

BENEFIT UPDATE RIDER

This rider is part of the policy. It is issued in consideration of the application and payment of the premiums for the policy to which it is attached. All definitions, provisions, exceptions, limitations, and other terms of the policy apply to this rider unless specifically changed by this rider. The effective date of this rider is shown on the current Data Page.

BENEFIT UPDATE ADJUSTMENTS

Every 3 years from the Policy Date, We will review Your Maximum Monthly Benefit shown on the current Data Page. Prior to the Policy Anniversary, We will require an application and other evidence which satisfies Us that You are insurable under Our then current underwriting guidelines except that You need not show evidence of good health. If We receive the information We require within 30 days of Our request, We may offer to increase the Maximum Monthly Benefit. Our offer will be to adjust to the allowable Maximum Monthly Benefit based on the information received and Our then current underwriting guidelines. Any change to the Maximum Monthly Benefit will also change the Maximum Aggregate Benefit.

EFFECT OF A BENEFIT UPDATE ADJUSTMENT

The new premium amount which results from an increase offer made under this rider will be automatically billed. Increases are accepted by paying the new premium. Less than 100% of the increase offer may also be accepted subject to number 2 in the Termination provision. Increases may be rejected by notifying Us in writing no later than 30 days after the Policy Anniversary or by not paying the increase in premium.

The adjusted Maximum Monthly Benefit applies to new Disabilities which start on or after the Policy Anniversary as described in the Benefit Update Adjustment Date provision. A Recurring Disability is not a new Disability.

BENEFIT UPDATE ADJUSTMENT DATE

A Benefit Update adjustment in the Maximum Monthly Benefit resulting from Our offer will be effective on the Policy Anniversary, subject to the Owner accepting Our offer. Any adjustment will change the information on the policy's Data Pages and new Data Pages will be provided.

TERMINATION

This rider terminates, with no further offers available, when:

1. Underwriting evidence We require is not received within 30 days of Our request; or
2. Less than 50% of Our offer to increase the Maximum Monthly Benefit is accepted; or
3. A decrease in the Maximum Monthly Benefit is made under the Policy Adjustment Options section of Your policy to an amount that is below the minimum required to be eligible for this rider according to Our then current underwriting guidelines; or
4. You reach Your Age 55 Policy Anniversary (except We will make one review for any Benefit Update rider issued on or after age 52); or
5. The Owner sends Us a written request to terminate this rider; or
6. The policy, of which this rider is a part, terminates.

1 or 2 above do not apply if You are Disabled on the Benefit Update Adjustment Date.

(Continued on next page)

REINSTATEMENT

If this rider terminates under 1, 2, 3 or 5 above, the Owner may request reinstatement of this rider subject to Our underwriting guidelines then in effect.

If this rider terminates under 6 above, it may later be reinstated if the policy is reinstated in accordance with the policy terms for policy reinstatement.

S
A
M
P
L
E

S
A
M
P
L
E

David J. Drury
Chairman and Chief Executive Officer



**Principal Life
Insurance Company**
Des Moines, Iowa 50392-0001

RESIDUAL DISABILITY BENEFIT RIDER

This rider is part of the policy. It is issued in consideration of the application and payment of the premiums for this rider and for the policy to which it is attached. All definitions, provisions, exceptions, limitations, and other terms of the policy apply to this rider unless specifically changed by this rider. The effective date of this rider is shown on the current Data Page.

DEFINITIONS

RESIDUAL DISABILITY -- means:

1. You are not Totally Disabled; and
2. Solely due to Injury or Sickness:
 - a) You are able to perform some, but not all, of the substantial and material duties of Your Occupation; and
 - b) You incur a monthly Loss of Net Income; and
3. You satisfy the requirements of the Claim Information section of the policy.

During a period of Residual Disability, You must Work to the full capacity allowed medically and vocationally by Your Injury or Sickness including any reasonable job or work site modification. If You do not Work to Your full capacity, benefits will be paid as if You are Working at full capacity.

BENEFITS FOR RESIDUAL DISABILITY

We will pay a portion of the Maximum Monthly Benefit under the Benefit Section of the policy for Residual Disability that begins on or after the effective date of this rider and while the policy and this rider are in force and subject to the policy and rider provisions. For Residual Disability, the monthly amount We will pay is equal to the Loss of Net Income You incur each month up to the Maximum Monthly Benefit shown on the current Data Page but not to exceed the Maximum Aggregate Benefit.

For the first 6 months of a Residual Disability following the Elimination Period, the benefit payable will not be less than 50% of the Maximum Monthly Benefit.

ADDITIONAL COVERED OVERHEAD EXPENSES FOR RESIDUAL DISABILITY

In determining eligibility to a benefit under this rider, Covered Overhead Expenses will include the following:

1. Salaries, wages, fees, drawing accounts, advances, bonuses, and other compensation, including benefits and pension and profit sharing contributions, for any person under Your supervision, management or direction who is responsible for the generation of income in Your Business.
2. The cost of medical/dental supplies, lab fees, x-ray fees and expenses passed on directly to a client.

(Continued on next page)

TERMINATION

This rider terminates on the first of:

1. Your Age 65 Policy Anniversary; or
2. The Owner's written request to terminate it; or
3. Termination of the policy of which it is a part.

S
A
M
P
L
E

S
A
M
P
L
E

David J. Drury
Chairman and Chief Executive Officer



**Principal Life
Insurance Company**
Des Moines, Iowa 50392-0001

AUTOMATIC INCREASE OPTION RIDER

This rider is part of the policy. It is issued in consideration of the application and payment of the premiums for the policy to which it is attached. All definitions, provisions, exceptions, limitations, and other terms of the policy apply to this rider unless specifically changed by this rider. The effective date of this rider is shown on the current Data Page.

DEFINITIONS

TERM – is a six-year period as measured from the Policy Date. If this rider's effective date is later than the Policy Date, the first Term will equal the number of years remaining of the six-year period as measured from the Policy Date.

INCREASE OPTIONS

This rider provides the opportunity to increase the Maximum Monthly Benefit. The increase is provided without evidence of insurability, but will not exceed Our maximum issue and participation limits then in effect. Any change to the Maximum Monthly Benefit will also change the Maximum Aggregate Benefit.

Increases are offered on each Policy Anniversary during a Term, subject to the Limitations and Conditions provision of this rider.

The increase is based on the Consumer Price Index for All Urban Consumers (CPI-U) as published by the United States Department of Labor. If the index is discontinued, delayed, or otherwise not available for this use, or if the composition or basis of, or method of calculating the index changes so that We consider it not appropriate for calculating further Automatic Increase Options, We have the right to substitute what We believe is an appropriate index for the CPI-U.

The increase is determined by multiplying the Maximum Monthly Benefit on the Policy Anniversary just prior to the scheduled increase by an increase factor. If the Owner has decreased the Maximum Monthly Benefits under the Policy Adjustment Options section of the policy since the prior Policy Anniversary, the amount subject to the Automatic Increase Option is the decreased amount, which is then multiplied by the increase factor.

The increase factor will be:

1. CPI-U 6 months prior to the Automatic Increase Option date;
DIVIDED BY
2. CPI-U 18 months prior to the Automatic Increase Option date;
LESS
3. 1.00.

The increase factor, converted to a percentage, cannot be less than the Automatic Increase Option Minimum Index Percent nor greater than the Automatic Increase Option Maximum Index Percent shown on the current Data Page.

Any increase to the Maximum Monthly Benefit resulting from this rider will be effective on the Policy Anniversary for which it is offered, subject to the Acceptance And Rejection Of An Offer provision of this rider. The adjusted Maximum Monthly Benefit applies to new Disabilities which start on or after that Policy Anniversary. A Recurring Disability is not a new Disability.

ACCEPTANCE AND REJECTION OF AN OFFER

The new premium amount which results from an increase offer made under this rider will be automatically billed. Increases are accepted by paying the new premium. Increases may be rejected by notifying Us in writing no later than 30 days after the Policy Anniversary or by not paying the increase in premium. New Data Pages reflecting any increase in benefits will be provided.

LIMITATIONS AND CONDITIONS

Increases provided by this rider are subject to the following limitations and conditions:

1. If the Benefit Update Rider is part of the policy, increases will not be offered on any Policy Anniversary that coincides with a review for a Benefit Update Adjustment.
2. Increases will not be offered for any Policy Anniversary on which You are Disabled.
3. The right to future increases will expire if the Owner rejects any two Automatic Increase Option offers within a Term.
4. An increase option during a period when the policy is terminated (and the policy and this rider is subsequently reinstated) will be treated as a rejection of the Automatic Increase Option offer.

RENEWAL

A renewal anniversary will occur on every sixth Policy Anniversary. On each renewal anniversary while this rider is in force, We will ask for current evidence of financial insurability prior to the Policy Anniversary. If We receive the information We require (which will include an application signed by the Owner and the Insured) within 60 days of Our request and You qualify under Our underwriting guidelines in effect on the date the renewal application is completed, We will renew this rider for another Term.

This rider will be suspended if You are receiving Disability benefits under the policy on a renewal anniversary. Once such benefits are no longer payable, You may renew this rider by providing the evidence of financial insurability that We require for renewal. A rider that is renewed following a period of suspension is renewed only for that portion of the six-year period that remains until the next renewal anniversary.

TERMINATION

This rider terminates, with no further offers available, when:

1. Financial underwriting information requested for renewal is not received within 60 days of Our request; or
2. You do not qualify for renewal under this rider's Renewal provision; or
3. The Owner rejects any two Automatic Increase Option offers within a Term; or
4. You reach Your Age 55 Policy Anniversary or the end of the first Term, whichever is later; or
5. The Owner sends Us a written request to terminate this rider; or
6. The policy, of which this rider is a part, terminates.

REINSTATEMENT

If this rider terminates under 1, 3, or 5 above, the Owner may request reinstatement of this rider subject to Our underwriting guidelines then in effect.

If this rider terminates under 6 above, it will be reinstated if the policy is reinstated in accordance with the policy terms for policy reinstatement.

S
A
M
P
L
E

S
A
M
P
L
E

(Company Officers' Signature and Title)



**Principal Life
Insurance Company**
Des Moines, Iowa 50392-0001